INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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COUNTRY	Hungary		REPORT			
SUBJECT	State Control Mini Rakosi and Nagy Sc	gy Schism		DISTR. 7 December 1955 25X1 OF PAGES 2		
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State Control Ministry

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- 1. The officials of the State Control Center, because the head of the Center was not of Ministerial rank, were unable to exercise sufficient authority over the financial planning of the various ministries. The official compared the former position of the Center to that of a branch of the Army with a controlling function, headed only by a Colonel, which had to examine and criticize the activities of General officers.
- 2. The Center developed from the Control Department of the Treasury into an organ controlling the financial activities of Ministries, on the Soviet pattern. This system was found not to work in Hungary, and the majority of the controllers, technicians, and accountants of the Center were transferred to the appropriate Ministries, which left the Control Center with the task of controlling only the general principles of budgetary planning. The Control Ministry is continuing with this more limited function.

Effect of Exports to East on Goods available for West

- 3. The official admitted that it might happen that even if the Hungarian Government had formally committed itself to deliver certain goods to a western country, it might in an emergency go back on its contract because of prior demands for the goods by a country in the "Mutual Economic Aid Group."
- 4. Expanding on this point, the official stated that, until recently, Eastern Germany used to be a liability for the other countries of the Bloc, since under the Mutual Economic Aid, East Germany received considerable priority in the export of certain materials and goods for the building up of its industry. This was particularly so in the case of raw materials (the official implied that Hungary had even had to export coal to East Germany).

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	country which required Rumania. The USSR and	the greatest extent of Hungary were the chief	e Bloc, and at present the f aid from its neighbors of countries of the Bloc c	was
	cerned in providing ma	terial assistance to the	e kumanians.	
5.	Hungary is supplying in North Korea.	nstallations and steel	plants to be erected in	
	Rakosi and Nagy	The state of the s		
6.	was that neither Rakos said that the control leadership, but that R	i nor anyone else was of the Party and Govern Akosi's personality and oure. There was no dis-	the Hungarian Communist indispensable. It could ament was through collect dexperience made him far cussion in Party or Gover	be ive and
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7.	Ernö Gerö was very lit	tte neard of nowadays.		25X′ 25X′
	about. It was only af on such matters as nor the interim period, ch to carry out the new l responsibility upon th issued instructions, t originally intended, s time was not yet ripe industry and agricultu	ter about three months ms and a revision of a lacs had ensued, since the selves for any radical these were of a far less ince in the meantime he for a radical relaxation, or in the tenor of for him to reverse his	ly this was to be brought that instructions were i gricultural quotas, etc. no one knew what should be turally reluctant to tak al change. When Nagy fin s liberal nature than he so had come to realize the on in State control over production. Since it wo policy, a change of directions.	ssued In e done e ally had t the
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